



State of Utah

Department of
Natural Resources

ROBERT L. MORGAN
Executive Director

Division of
Oil, Gas & Mining

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

August 25, 2004

Brad Boyter
Western Clay Company
508 East Center
P.O. Box 127
Aurora, Utah 84620-0127

Subject: Final Acceptance of Amended Notice of Intention to Commence Small Mining Activities, Western Clay Company, Aurora Clay Mine, S/041/033, Sevier County, Utah

Dear Mr. Boyter:

On August 13th and August 20th, 2004, respectively, we received Western Clay Company's \$14,000 Letter of Credit and Reclamation Contract for the Aurora Clay Mine, located in Sevier County, Utah.

On June 21, 2004, we issued conditional acceptance of your June 10, 2004, amended notice, wherein you proposed to change the location of the originally approved notice to an immediate adjacent area and "trade" 2.0279 acres of undisturbed area to 1.1250 and 0.6629 acres in the nearby area.

On August 24, 2004, the Division Director accepted the form and amount of reclamation surety for this small mining project. Copies of the signed documents are enclosed for your records. The Division now grants final acceptance of your amended notice, and you may proceed with your operations on the 3.3 acres as now outlined.

Please assure that you do not go beyond the 3.3 acres without first amending your notice in writing, adjusting the surety bond and receiving written acceptance from this Division to expand. You will be held to the same reclamation standards as outlined in your original accepted notice.

Thank you for your cooperation. It is a pleasure working with you and your company.

Sincerely,

Daron R. Haddock, Permit Supervisor
Minerals Regulatory Program

DRH:LK:jb

Enclosure: copy of RC & LOC

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File Number 5/041/033
Effective Date Aug 24 2004
Other Agency File Number na

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

RECLAMATION CONTRACT
---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) S/041/033
(Mineral Mined) Clay

"MINE LOCATION":
(Name of Mine) Aurora Clay Mine
(Description) 1.5 miles East of Aurora
above Valley Feedlot

"DISTURBED AREA":
(Disturbed Acres) 3.3
(Legal Description) (refer to Attachment "A")

"OPERATOR":
(Company or Name) Western Clay Co
(Address) PO Box 127
Aurora, UT 84620
(Phone) 435-529-3281

RECEIVED

AUG 20 2004

DIV. OF OIL, GAS & MINING

"OPERATOR'S REGISTERED AGENT":

Name)

(Address)

(Phone)

Brad Boyter

PO Box 127

Aurora, UT 84620

435-529-3281

"OPERATOR'S OFFICER(S)":

Brad Boyter, President

Garin Madsen, Vice President

Fred Mortensen, Director

SURETY":

(Form of Surety - Attachment B)

Letter of Credit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Zions Bank

"SURETY AMOUNT":

(Escalated Dollars)

\$14,000.00

"ESCALATION YEAR":

2005

"STATE":

"DIVISION":

"BOARD":

State of Utah

Division of Oil, Gas and Mining

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Western Clay Co the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. S/041/033 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the approved Notice of Intention and Reclamation Plan received 1-24-02. The Notice of Intention and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Western Clay Co.
Operator Name

By Brad Boyter
Authorized Officer (Typed or Printed)

President
Authorized Officer - Position

[Signature]
Officer's Signature

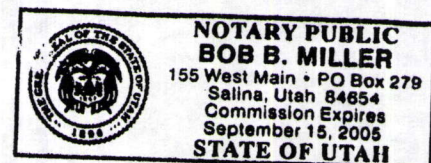
8-18-04
Date

STATE OF Utah)
COUNTY OF Garfield) ss:

On the 18th day of August, 2004, Brad Boyter
personally appeared before me, who being by me duly sworn did say that he/she is the
President of Western Clay Company and duly
acknowledged that said instrument was signed on behalf of said company by authority
of its bylaws or a resolution of its board of directors and said
Brad Boyter duly acknowledged to me that said
company executed the same.

[Signature]
Notary Public
Residing at Salina

9/15/05
My Commission Expires:



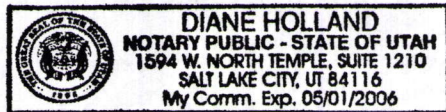
DIVISION OF OIL, GAS AND MINING:

By Lowell P. Braxton
Lowell P. Braxton, Director

Date 8/24/04

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 24th day of August, 2004, Lowell P. Braxton
personally appeared before me, who being duly sworn did say that he, the said
Lowell P. Braxton is the Director of the Division of Oil, Gas and Mining,
Department of Natural Resources, State of Utah, and he duly acknowledged to me that
he executed the foregoing document by authority of law on behalf of the State of Utah.



Diane Holland
Notary Public
Residing at: Salt Lake City, Utah

5-01-2006
My Commission Expires:

ATTACHMENT "A"

Western Clay Co Aurora Clay Mine
Operator Mine Name
S/041/033 Sevier County, Utah
Permit Number

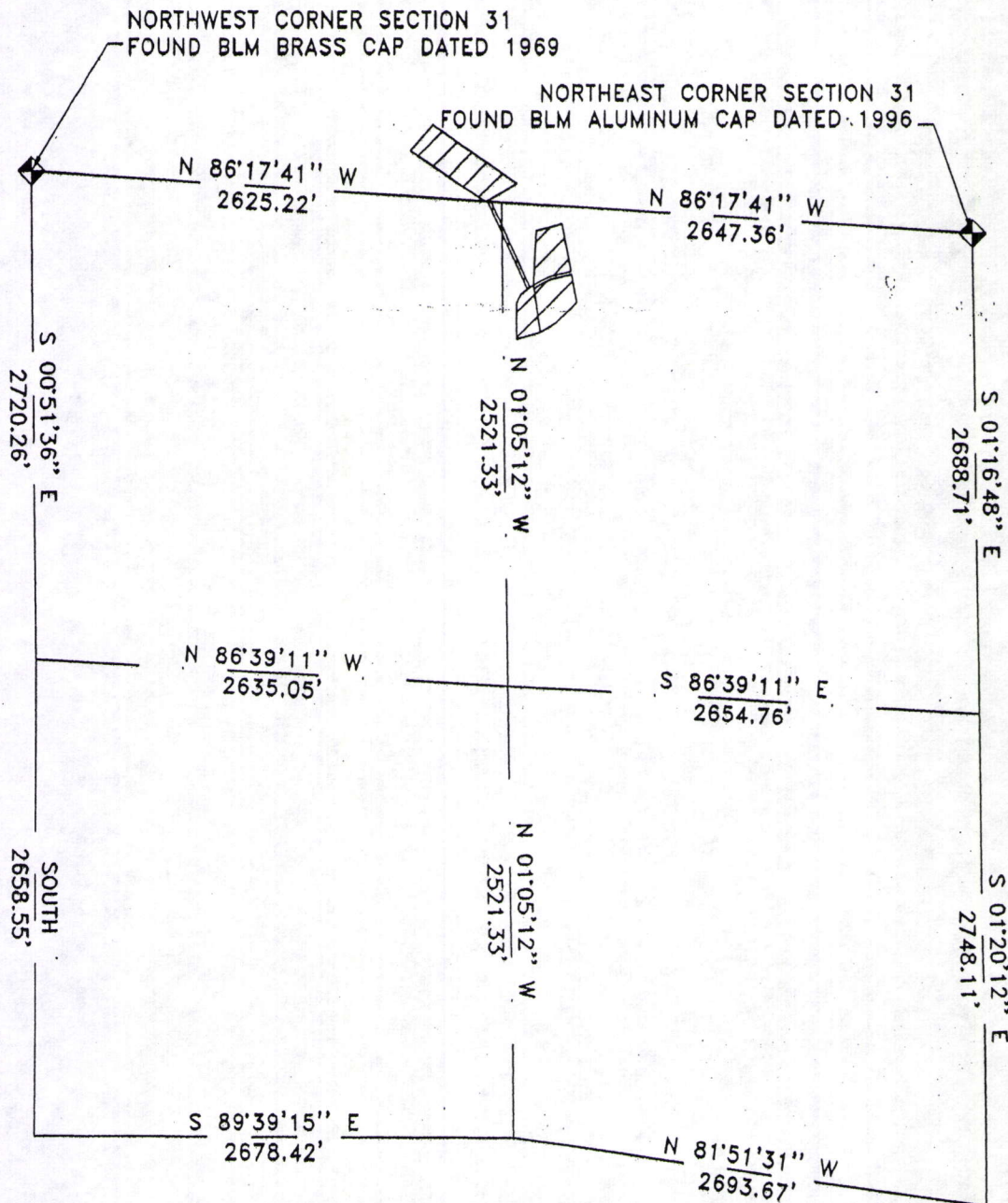
LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 3.3 acres under the approved permit and surety, as reflected on the attached map labeled Western Clay Survey Map and dated June 10, 2004:

Aurora Clay Mine
SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec 30 T21S R1W
SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec 30 T21s R1W
NE $\frac{1}{4}$ NW $\frac{1}{4}$ Sec 31 T21S R1W
NW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec 31 T21S R1W

western clay survey map



SECTIONAL INFORMATION

SCALE: 1" = 1000'

RECEIVED

JUN 10 2000

DEPT. OF ENERGY & MINING

ED FOR WESTERN CLAY CO.

AURORA, UTAH

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OF

IRREVOCABLE STANDBY LETTER OF CREDIT NO. ZSB801123

Date: August 11, 2004

UTAH DIVISION OF OIL, GAS AND MINING
("DIVISION")
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

RECEIVED
AUG 13 2004
DIV. OF OIL, GAS & MINING

Dear Sir/Madam:

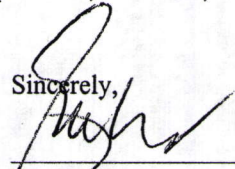
At the request of WESTERN CLAY COMPANY ("Operator"), P.O. BOX 127, AURORA, UT 84620, we, ZIONS FIRST NATIONAL BANK ("Bank") hereby establish our Irrevocable Standby Letter of Credit in your favor up to an aggregate amount of Fourteen Thousand United States Dollars (USD14,000.00). This credit is available for payment against presentation of your draft(s) at Sight drawn on Zions First National Bank, Los Angeles, California, bearing the clause: "Drawn under credit No. _____ of ZIONS FIRST NATIONAL BANK, Los Angeles, California".

1. This Letter of Credit will expire upon the first event set forth as follows: (a) 5:00 o'clock p.m. (Los Angeles time) on August 11, 2005, or (b) the date upon which sufficient documents are executed by the Division to release Western Clay Company ("Operator") from further liability for reclamation of Western Clay Company Inc., Aurora Clay Mine, S/041/033, Sevier County, Utah with notice to Bank by the Division accompanied by the original Letter of Credit with directions for cancellation.
2. This Letter of Credit will be automatically extended, without amendment, for successive periods of one year from the current or any future expiration date unless the Bank gives notice to the Division 90 days prior to the expiration date that the Bank elects not to renew the Letter of Credit.
3. Funds under the Letter of Credit are available against the Division's sight draft, in the form of Exhibit A, specifying Letter of Credit No. _____ delivered to the office of the Bank, 550 South Hope Street, 3rd Floor, Los Angeles, CA 90071. At the Division's sole election, the Division may present sight drafts for less than the Face Amount so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the Division.
4. If the Bank receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 3 above on or before the expiration or termination of this Letter of Credit, the Bank will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 3 of this Letter of Credit, available to the Division no later than the close of business, Los Angeles time, on the second business day following the Bank's receipt of the sight draft and certificate and in such a manner as the Division may specify.
5. The Bank will give prompt notice to the Operator and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Bank, or alleging any violations of regulatory requirements which could result in suspension or revocation of the Bank's charter or license to do business.

6. The Letter of Credit shall be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice of Documentary Credit, 1993 revision, International Chamber of Commerce Publication No. 500, as the same may be amended and in effect from time to time ("UCP"). In the event of a conflict between Utah law and the UCP, Utah law shall govern.

7. All communications regarding this Letter of Credit will be addressed to ZIONS FIRST NATIONAL BANK, International Operations, 550 South Hope Street, 3rd Floor, Los Angeles, CA 90071, referencing Letter of Credit No.

Sincerely,



Emma Montoro
Assistant Vice President

EXHIBIT A – SIGHT DRAFT

To
Letter of Credit Number _____

Date

Letter of Credit No.

City, County

PAY TO THE ORDER OF: **Utah Division of Oil, Gas and Mining**

DOLLARS

TO: ZIONS FIRST NATIONAL BANK, Los Angeles
International Operations
550 South Hope Street, 3rd Floor
Los Angeles, California 90071

Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

By: _____
Authorized Signature

EXHIBIT B

To
Letter of Credit Number _____

I, _____ a duly authorized representative of the Utah Division of Oil, Gas and Mining, hereby certify that (1) the drawing in the amount of \$ _____, by sight draft accompanying this certificate, under Letter of Credit No. _____ dated _____ issued by you is permitted under the provision of the Letter of Credit, (2) the Letter of Credit has neither expired nor terminated pursuant to its terms, (3) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does not exceed the Face Amount, and (4) the Utah Board of Oil, Gas and Mining, after notice and hearing, has entered an Order which has not been stayed, ordering forfeiture of the Letter of Credit No. ZSB801123, in accordance with applicable law. Proceeds of this drawing will be utilized in full to pay the expenses relating to the reclamation liability, together with the costs of collection, including attorneys fees, for the _____ [mine],
_____ [mine permit #].

The Utah Division of Oil, Gas and Mining

By: _____
Authorized Signature

Date: _____